

Message Text

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ACTION OPIC-12

INFO OCT-01 NEA-14 ISO-00 EB-11 AID-20 INR-10 /068 W

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1334

LIMITED OFFICIAL USE NEW DELHI 6112

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: OPIC INVESTMENT PROMOTION

REF: STATE 85967,90996; NEW DELHI 5977

SUMMARY: AFTER CONSULTATION WITH THE GOI WE RECOMMENDED MORSE PROPOSAL BE REJECTED. WE WOULD WELCOME OPIC ASSISTANCE IN PUBLICIZING INVESTMENT POSSIBILITIES IN INDIA. END SUMMARY.

1. ECONOMIC COUNSELOR DISCUSSED MORSE PROPOSAL AND SEES LITTLE LIKELIHOOD THAT PROPOSAL COULD ATTAIN ITS STATED GOALS.

2. THE GOI HAS NO OBJECTION TO ANY STUDY BY MORSE, WHETHER OR NOT IT IS OPIC FINANCED, AND WOULD BE PREPARED TO ASSIST THROUGH THE PROVISION OF INFORMATION, INTRODUCTIONS TO FIRMS, ETC. HOWEVER, THERE IS NO POSSIBILITY OF ANY GOI "PRE CLEARANCE OF PROJECTS" WHICH WAS ENVISAGED AS CRITICAL FEATURE OF MORSE PROPOSAL. THE GOI MUST RETAIN THE FLEXIBILITY TO EXAMINE ANY SPECIFIC PROPOSAL ON A CASE BY CASE BASIS.

3. GUHAN (AND WE) QUESTIONED THE SUPPOSED EMPHASIS ON SMALL FIRMS NOTING THAT THE INDUSTRIES CITED BY MORSE (MACHINE TOOLS, TEXTILE MACHINERY, ETC) MAY BE SMALL BY US STANDARDS BUT ARE RATHER LARGE BY INDIA STANDARDS.

4. IN OUR OPINION, THERE HAS BEEN AN IMPORTANT CHANGE WHICH MAKES THE MORSE PROPOSAL MUCH LESS ATTRACTIVE. THE LIMITED OFFICIAL USE

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LONG DELAYS IN OBTAINING DECISIONS THAT ONCE CHARACTERIZED

GOI INVESTMENT POLICY HAVE BEEN SHARPLY REDUCED. THE PROBLEMS THAT REMAIN ARE, ON THE US SIDE, AN INFORMATION LAG WHICH LEADS US FIRMS

TO ASSUME THAT INDIAN PROCEDURAL OBFUSCATION OF TWO YEARS AGO HAS NOT CHANGED AND, ON THE INDIAN SIDE, RELATIVELY RESTRICTIVE POLICIES ON INVESTMENT WITH HEAVY EMPHASIS ON TECHNOLOGY FLOWS AND EXPORT DEVELOPMENT.

5. OUR PROBLEM IN PROMOTING US INVESTMENT IN INDIA, THEREFORE, IS NOT IDENTIFICATION OF OPPORTUNITIES - WE SUBMIT THEM REGULARLY BY THE DOZENS, BUT CONVINCING US FIRMS TO LOOK AT THE MARKET AND WORK WITH US IN SECURING APPROVAL OF SPECIFIC PROPOSALS.

6. WE WOULD WELCOME OPIC ASSISTANCE IN DISSEMINATING INFORMATION ON THE CURRENT INVESTMENT SCENE IN INDIA TO US FIRMS, LARGE AND SMALL. SUCH A PROGRAM, PERHAPS WITH THE ASSISTANCE OF THE INDIAN INVESTMENT CENTER, WOULD BE WELCOMED BY THE GOI AND COULD YIELD RESULTS.

7. RECOMMENDED ACTION: WE RECOMMEND MORSE BE TOLD THAT HIS PROPOSAL IS NOT OF INTEREST AT THIS POINT. (IF POSSIBLE WE WOULD PREFER THAT GUHAN'S NAME NOT BE USED SO AS TO AVOID PERSONAL EMBARRASMENT). IF "A VILLAIN" IS NEEDED TO EXPLAIN THE REJECTION WE WOULD BE HAPPY TO PLAY THIS BY NOW TRADITIONAL ROLE.
SCHNEIDER

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